

Testimony of

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On behalf of the

INFORMATION TECHNOLOGY INDUSTRY COUNCIL (ITI)

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Committee on Commerce, Science, and Transportation
United States Senate

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S. 2902

The Broadband Internet Regulatory Relief Act

Mr. Chairman and Members of the Committee,

My name is Peter Pitsch and I am Communications Policy Director for Intel Corporation. I am here today to testify on behalf of ITI, the Information Technology Industry Council. ITI is the association of the leading information technology companies, including computer hardware and software manufacturers, networking companies, and Internet services companies. ITI member companies employ more than 1.2 million people in the United States and exceeded \$633 billion in worldwide revenues in 1999.

On behalf of ITI and its member companies, I would like to thank you for this opportunity to testify before your Committee and express our support for S. 2902, the Broadband Internet Regulatory Relief Act, introduced by Senator Brownback.

ITI believes that the rapid deployment of affordable broadband technology is a key component to continuing the dramatic growth of the Internet and e-commerce. Consumers don't want to wait 15 minutes, or even one minute, for a website to download – they want high-speed Internet services that will make their online experience more convenient. There is no doubt that the Internet economy has grown faster and larger than anyone imagined. Today, according to recent study by the University of Texas, the Internet economy is valued at over \$500 billion and is growing at an astounding 62% a year. Moreover, the impact of the Internet on our lives and our businesses has been tremendous. According to Duke University, 56% of U.S. companies will sell their products online by 2000, up from 24% in 1998. But for this growth to continue we

need to have policies that support competition and encourage companies to develop the necessary high-speed infrastructure.

The core telecom policy mission of ITI is to promote the rapid deployment of affordable broadband technology, providing all consumers access the full potential of the Internet. In pursuit of our policy goal, ITI has adopted the following broadband principles:

- 1) Markets, not regulators, should drive the deployment of broadband technology. To that end, ITI supports the deregulation of the telecommunications industry and the continued non-regulation of information services.
- 2) Market-based competition among all channels of the communications marketplace is the best way to promote rapid deployment of broadband technology.
- 3) Government intervention in the market is appropriate only where a competitive bottleneck exists.
- 4) ITI does not endorse any single broadband technology and believes deployment of multiple technologies will benefit consumers.

Consistent with these principles, ITI is proud to endorse S. 2902, the Broadband Internet Regulatory Relief Act of 1999. ITI believes that this bill, if enacted, will encourage rapid deployment of advance services to consumers through deregulation without diminishing competition for broadband services. Furthermore, ITI believes this legislation is another important step in removing barriers to competition in the telecommunications markets, which in turn will stimulate investment, spur technological innovation, reduce prices, and increase consumer choices.

ITI believes that S. 2902 would eliminate many of the incumbent local exchange carriers' (ILECs) disincentives to deploy digital electronics and transmission facilities to consumers. Specifically, by eliminating interconnection and unbundling requirements for new packet-based

equipment and fiber loops deployed to residences, this legislation removes a deployment disincentive that ILECs face—being required to allow competitors unbundled access to this new high-speed equipment. ITI believes that removing this disincentive will lead ILECs to deploy more quickly high-speed services such as DSL, bringing the benefits of broadband technology to more consumers. At the same time, ITI believes that eliminating these requirements will not undermine the ability of other competitors to provide their services so long as ILECs continue to comply with the collocation and loop provisioning rules. Unlike the existing local loop, ILECs do not have a legacy advantage in newly installed advance services and this equipment is readily available to competitors and ILECs alike.

While S.2902 removes significant regulatory barriers, ITI is satisfied that it provides important safeguards to ensure the removal of those barriers has the desired effect and does not adversely impact competition. First, to get deregulated a ILEC must meet important build-out benchmarks. Essentially, it must make advanced services available to 80% of its customers within 3 years and 100% of its customers within 5 years. Moreover, obtaining these goals will significantly increase the number of households served by DSL-capable loops which could benefit all competitors. Second, deregulation is conditioned on the ILECs complying with Commission and state collocation and loop provisioning rules, which will ensure competition can continue to thrive. ITI has long maintained that it is important that the competitive local exchange carriers (CLECs) have access to the ILECs' loops and central offices. Indeed, in December 1998, it reached an accord with the ILECs that conditioned deregulation of their advanced services on their making these essential facilities available to the CLECs. Finally, in the case of new fiber loops, ILECs can be required, upon request, to maintain the existing copper

local loop, so competitors do not lose access to the home capable of providing advanced and other telecommunications services.

In sum, ITI believes that S. 2902 take a sensible step-by-step approach to eliminating regulatory barriers that will encourage rapid deployment of advance services to consumers through deregulation and competition. ITI's support of S.2902 is one part of a consistent set of policies that we believe will increase the deployment of a variety of competing broadband technologies.

For example, ITI has recently endorsed S. 2698, the "Broadband Internet Access Act of 2000", introduced by Senator Moynihan. This technology-neutral legislation would provide tax incentives for the deployment of broadband technology to urban and rural areas that today are often not served by high-speed services, as well as for the build-out of very high-speed, next generation broadband services to residences. Like the legislation before us today, S.2698 recognizes the need for this investment in our IT infrastructure so all Americans can realize the opportunities of broadband technology and the Internet. However, S.2698 does not eliminate the need to make necessary regulatory reforms addressed in the current bill, S.2902.

In the area of high-speed cable access, ITI has supported the Federal Communication Commission's decision to forego regulatory action to mandate cable access. Last year, ITI wrote to FCC Chairman Kennard in support of the Commission's amicus brief in *AT&T v. City of Portland*. ITI argued that because cable Internet access is an emerging service and the providers currently lack market power in the Internet access market, they should not be subject at this time to open network requirements. Furthermore, ITI agreed with the position taken by the FCC that

the question of whether cable companies should be required to open their cable modem services should be addressed at the federal level. Apart from legal arguments over federal and local jurisdiction, ITI believes that there are compelling economic and business reasons for developing a national policy on this important issue.

ITI has also advocated regulatory relief for ILECs before the FCC. Last year, ITI argued, and the FCC agreed, that certain high-speed DSL equipment installed by incumbent local phone companies should not be required to be unbundled. ITI submitted comments to the FCC on this particular matter because we believe that it will enhance the competitive growth of the broadband market by providing an incentive for ILECs to deploy DSL quickly. At the same time, however, the FCC also agreed with the position taken by ITI that the local loop must remain open to all competitors.

As you can see, ITI has been actively involved in broadband policy issues. ITI has not sided with one camp or another, but instead it has supported and opposed the positions of all of the major players at one time or another. Throughout this policy process, ITI has supported the same basic goal; namely, rapid deployment of widespread, affordable broadband for consumers.

We would encourage the Committee to be as forward-looking as possible when it examines broadband issues. As we all know, the telecommunications debates of the latter part of the 20th century often involved pitting entrenched business interests against each other, or they focused on the competitive deficiencies of one communications medium or another. We have today a far different landscape, one that has emerged only in the last several years. With the Internet

achieving status as a mass medium, consumer demand for broadband data service has grown exponentially. All major communications infrastructure providers should be incented to meet that demand even if, in practice, that means the government will be loosening some of the regulatory restrictions that may have made sense in a prior era. As this debate continues, I would urge you to turn to ITI and the high-tech community as an impartial voice on these important issues.

On behalf of ITI, I would like to thank the Committee for its time, and I would be glad to respond to any questions.